



No. 25

May 22, 2003

H. J. Res. 51 – Increasing the Statutory Limit on the Public Debt

Calendar No. 80

Read the second time and placed on the Senate Calendar on May 1, 2003.

NOTEWORTHY

- The Senate is anticipated to consider H. J. Res. 51, a joint resolution increasing the statutory limit on the public debt, on Thursday May 22, 2003. Under a unanimous consent agreement reached on May 7, first-degree amendments are limited in number to 12 on each side, and second-degree amendments must be relevant; further, no amendment with respect to gun liability or hate crimes is in order. (At press time, it was anticipated that Republicans would offer no amendments and Democrats would offer fewer than 12.)
- H. J. Res. 51 would increase the statutory debt limit by \$984 billion to \$7.384 trillion. This is the amount assumed in the 2004 Budget Resolution as sufficient to fund the government through September 2004.
- The House has passed H. J. Res. 51. Pursuant to House Rule XXVII (the Gephardt Rule, explained below), as a result of the adoption by the House and the Senate of the conference report on H. Con. Res. 95, the Concurrent Budget Resolution for Fiscal Year 2004, H. J. Res. 51 was engrossed and deemed to have passed the House on April 11, 2003.
- It is vital that the Senate pass H. J. Res. 51 – unamended – so that it can move as quickly as possible to the President for enactment to ensure the return to regular operating procedures at the Treasury Department (see page 2 for more details).

BACKGROUND

- Because Congress did not increase the debt limit in February, the Treasury Department was unable to both continue borrowing from the public to pay its bills *and* fully invest the Government Securities Investment Fund (i.e. the “G-Fund”) of the Federal Employees Retirement System (FERS) without breaching the debt limit.
- Furthermore, because Congress did not increase the debt limit in April, Treasury was forced to borrow more, and so was unable to fully invest the portion of the Civil Service Retirement and Disability Fund (CSRDF) not immediately required to pay beneficiaries. Treasury also declared a “debt issuance suspension period” during which time CSRDF investments are suspended and a portion of existing investments are redeemed, in order to stay below the debt limit. Federal law requires that both the G-Fund and the CSRDF be repaid when a debt-limit increase bill is finally passed and signed by the President
- According to the GAO, the gross debt – the combination of debt held by the public and debt held by certain government accounts, such as the Social Security and Medicare trust funds – is the amount that is subject to the federal debt limit. Prior to 1917, Congress approved each issuance of debt. However, in order to help fund World War I, Congress established a dollar ceiling for federal borrowing which has been adjusted periodically since.
- The government borrows by issuing securities, mostly through the Department of Treasury. Most of these securities that constitute debt held by the public are marketable; in other words, once it is purchased by an individual it can be resold. Securities held by government agencies, on the other hand, are not marketable.

The Gephardt Rule

- According to CRS, Congress may develop debt-limit legislation under House Rule XXVII, commonly referred to as the Gephardt rule. The rule, which was established by P.L. 96-78 and first applied in calendar year 1980, provides for the automatic engrossment and transmittal to the Senate of a joint resolution changing the public debt limit, upon the adoption of the budget resolution, thereby avoiding a separate vote in the House on the public debt-limit legislation. The Senate has no comparable procedure; if it chooses to consider a House-passed joint resolution, it does so under the regular legislative process.

ADMINISTRATION POSITION

At press time, no Statement of Administration Policy was available. However, in a letter to Members of Congress, Treasury Secretary John Snow noted that an “immediate permanent increase in the debt limit is crucial to preserve the confidence in the U.S. government and to prevent uncertainty that would adversely affect our economic recovery.”

POSSIBLE AMENDMENTS

By unanimous consent, first-degree amendments are limited to 12 per side, with relevant second-degree amendments in order, and no amendments with respect to gun liability or hate crimes are in order on either side.

At press time, it was anticipated that no Republican amendments would be offered, and that Democrats would offer fewer than 12. Any further information we obtain regarding amendments will be made available as soon as possible.

It is important to pass H. J. Res. 51 without amendment. Any amendment to the bill would require it to return to the House of Representatives for passage. Such a delay would seriously jeopardize our ability to increase the limit on the public debt by the required date of May 28, 2003.